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SUBJECT: MEDIA WRAP-UP: SYRIA AND IRAN IN MIDDLE-EAST POWER PLAY,
STALLED FRENCH ECONOMIC GROWTH AND U.S. INVESTMENT. NOVEMBER 17,

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[1](#)2006.

Sensitive but unclassified. Please protect accordingly.

SUMMARY

[1](#)1. (SBU) The media speculated at great length about Syria's role in the assassination of Lebanese Pierre Gemayel and on its broader agenda in the Middle East. By November 24, right-of-center Le Figaro warned that "Washington would pay dearly for Iraq when it turned to Tehran and Damascus to help stabilize Iraq, because by then Syria and Iran would be in a position to raise the stakes." The economic press covered France's slow economic growth during the past quarter and the American Chamber of Commerce's report on U.S. investment in France. All media pointed to the need for France's industrial sector to be more productive, for France to be more competitive and to attract more investors, including from the U.S. End Summary.

SYRIA AND IRAN IN MIDDLE-EAST POWER PLAY

[1](#)2. (SBU) Pierre Gemayel's assassination on Tuesday led to widespread speculation about Syria's "warning message" and to concerns about a new cycle of civilian fighting in Lebanon. In left-wing Liberation, Pierre Haski editorialized on the role of "political assassinations as messages." Haski claimed that the timing of the assassination and the pending special tribunal to investigate Hariri's assassination "was no coincidence." Catholic La Croix affirmed that, "according to expert observers, Syria, who could end up being held responsible, did not want to see a special tribunal set up." In left-wing Liberation Haski concluded that the underlying message, "do not point at Syria" was not only addressed to the U.S. but also to France. Haski argued that "the message targeted the U.S. because of Washington's recent consideration of a pullout strategy for Iraq that might include Syria." Haski argued that France's presence in Southern Lebanon and its refusal to deal with Syria since Hariri's assassination "were cause for warning." Haski questioned the ability of the international community to choose between "justice and realpolitik" and between "punishing Damascus for crimes in Lebanon or asking for its help in Iraq."

[1](#)3. (SBU) In right-of-center Le Figaro, George Malbrunot concluded that the "assassination of Pierre Gemayel, attributed to Damascus, was tarnishing Syria's alleged new stance." Malbrunot also contended that, in the context of Iraq, "Damascus was the weaker link" while Iran was a stronger protagonist," although both had

"built up their capacity for nuisance" during the Iraqi conflict. Malbrunot concluded that "neither was ready to squander its capital without getting something in return." A day prior to Gemayel's assassination, Pierre Prier in right-of-center Le Figaro analyzed the offer made by Damascus to re-open diplomatic relations with Iraq as "a message to the U.S." and a "clear change of direction for Syria." Prier agreed with Malbrunot that "Damascus was making an overture to Washington, which it perceived as being in a position of weakness." Prier contended that Syria "would make further demands on the U.S., about the special tribunal and Iran's nuclear program." But Prier concluded that "Washington was not ready to accept such demands."

FRANCE'S STALLED ECONOMY AND U.S. INVESTMENT

¶4. (SBU) On November 21 INSEE published economic indicators pointing to France's slow economic growth during the past quarter and France's lack of competitiveness for investors. Right-of-center Le Figaro Economie asserted that "France was losing its competitive edge." Catholic La Croix agreed, adding that "the concern lies with the loss of competitiveness in the industrial sector rather than with France's overall economic performance for the year." The drop in French exports by 0.7 percent in the third quarter was "significant" because it was, according to Catholic La Croix, "the first such drop since the beginning of 2005." Right-of-center Les Echos warned that "France's growth was sustained essentially through consumer spending" and suffered "from the counter performance of its exports" a situation which, in the eyes of economic expert Nicolas Bouzou, "was not sustainable in the long run. France's model of growth, based on a loss of competitiveness and dynamic consumer spending cannot last," he warned. In right-of-center La Tribune, the Chairman of the Economic Commission at the Medef (the French Employers Association) Pierre Nanterme, sounded the alarm: "Consumer spending grew by 21 percent, while over the same period, production of manufactured goods grew by a scant 1 percent, and imports by 41 percent." Writing in right-of-center Les Echos,

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Nanterme concluded that "France was boosting growth outside its borders." The Medef called on the government to reduce the national debt and called on the "presidential candidates to push towards a more labor-intensive France." In Catholic La Croix, UMP Representative Luc Chatel echoed this stance and argued that "the main trigger for growth is working more."

¶5. (SBU) The results of the American Chamber of Commerce (AmCham) annual report on France's attractiveness for American investors was portrayed in right-of-center La Tribune as globally positive, even if "France could still do better." But American companies, according to right-of-center Les Echos, "harshly condemned the handicap of the 35-hour workweek and the lack of flexibility in France's labor environment." In right-of-center La Tribune, Isabelle Moreau argued that "French-style economic patriotism did not sit well with 80 percent of the respondents" and concluded that American investors "did not appreciate the French government's interventionism in matters of mergers and acquisitions," a major handicap for U.S. investors. Marie Visot, in right-of-center Le Figaro Economie, also argued that "French economic patriotism" was not appreciated by American investors, "even if previous Franco-American tension on the subject had significantly diminished during the past year." Visot concluded that, according to the AmCham report, "the heads of foreign subsidiaries in France hoped the presidential debate would include revising the 35-hour workweek and the implementation of tax incentives for investors who distribute dividends." Right-of-center La Tribune concluded that "direct American investment leads in France, ahead of German direct investments."

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